FitchRatings

Banks
Universal Commercial Banks
Chile

Banco Consorcio

Key Rating Drivers

Long-Term Ratings Driven by Intrinsic Creditworthiness: The Long-Term Issuer Default Ratings (IDRs) and National Rating are driven by Banco Consorcio's (Consorcio, or the bank) intrinsic creditworthiness, as reflected in its Viability Rating (VR) of 'bbb', and do not factor any extraordinary support from its parent, Consorcio Financiero S.A. However, the bank's IDRs are currently at the same level as would be derived from the institutional support approach given that it remains a core subsidiary for its parent.

Business Profile Benefited by Consorcio Financiero: Fitch Ratings' assessment of the bank's business profile, which includes a moderate, albeit growing, domestic franchise, is positively influenced by group benefits and risks to arrive at a 'bbb' business profile score, above the implied 'bb' score. The bank benefits significantly from the strong franchise of its ultimate parent, Consorcio Financiero S.A., the largest insurer group in Chile, with a strong leading franchise that features roughly 16% and 13% market shares in total assets and gross written premiums, respectively, as of December 2022. This improves the bank's access to a very large customer and products base, which could help the bank achieve its growth and diversification targets over the long term. Banco Consorcio had a loan market share of 2.1%, excluding the system's operations abroad, as of December 2022, with its operations highly concentrated in the corporate and real estate segments.

Good Asset Quality: As of February 2023, the bank's non-performing loans (NPL) ratio was sustained at a low 0.91% (YE22: 0.71%) with loan loss reserve coverage (including additional reserves) at a sound 286%. The bank's NPL ratio has been improving since 2019, following the deterioration of a few specific cases. Fitch also considers the loan portfolio's high level of collateralization, which partly mitigates its high concentration by debtor and in the real estate sector. Although the balance sheet's non-loan exposures are high, the bank has reduced its holdings of corporate securities and replaced them with Central Bank and Treasury notes.

Improving Profitability: Banco Consorcio's operating profit to risk-weighted assets (RWA) ratio is adequate and commensurate with its rating level (four-year average: 1.72%). The bank's profitability has been based on strong portfolio growth, good cost efficiency, adequate loan quality and good revenue diversification. As of December 2022, the operating profit to RWA reached 2.4%, aligned with the bank's ratings, and is higher than the Chilean medium-sized bank peer average. Fitch expects profitability to remain at historical levels in 2023.

Solid Capitalization: Banco Consorcio's capitalization level is strong and compares favorably with domestic peers. The common equity Tier 1 (CET1) ratio increased to 13.2% in December 2022, from 10.5% in 2021, underpinned by lower loan portfolio growth during the year (3.3%). Fitch estimates the bank's capitalization will remain satisfactory for its rating category given the bank's growth objectives and continuous capital contributions from the controller.

Concentrated Funding, Strong Liquidity: The diversification of its funding structure continues to be one of Banco Consorcio's main challenges due to its reliance on wholesale funding and a still small proportion of demand deposits. Deposit concentration is high given the bank's size and corporate focus. As of December 2022, the loans to deposits ratio was 139.9%, which is commensurate with the bank's rating. The liquidity coverage ratio (LCR) reached a sound 253% as of December 2022.

Shareholder Support Rating: The Shareholder Support Rating (SSR) reflects the potential support from its parent company, Consorcio Financiero S.A., if needed. Fitch believes the parent's propensity to provide support to Banco Consorcio is high given the bank's important role in the group providing core products and complementary financial services, as well as the potential implications for the parent should the bank default, given the cross-default clauses that exist in Consorcio Financiero's debt instruments.

Ratings

Foreign Currency

Long-Term Issuer Default Rating	BBB
Short-Term Issuer Default Rating	F3

Local Currency

Long-Term Issuer Default Rating	BBB
Short-Term Issuer Default Rating	F3
Viability Rating	bbb
Shareholder Support Rating	bbb

National Rating

National Long-Term Rating	AA–(cl)
National Short-Term Rating	N1+(cl)

Sovereign Risk (Chile)

Long-Term Foreign Currency Issuer Default Rating	A–
Long-Term Local Currency Issuer Default Rating	A–
Country Ceiling	A+

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating	Stable
Long-Term Local Currency Issuer Default Rating	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign Currency Issuer Default Rating	Stable
Sovereign Long-Term Local Currency Issuer Default Rating	Stable

Applicable Criteria

Bank Rating Criteria (September 2022)

Metodología de Calificación de Bancos (March 2022)

Metodología de Calificaciones en Escala Nacional (December 2020)

National Scale Rating Criteria (December 2020)

Related Research

Rated LatAm Banks See Limited Fallout from US, European Bank Failures (March 2023)

Chilean Banks: 1H23 Review & Update (February 2023)

Latin American Banks 2023 Outlook (December 2022)

LatAm Banks Semiannual Credit Tracker — November 2022 (November 2022)

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Rating Sensitivities

Factors that could, individually or collectively, lead to negative rating action/downgrade

- A negative rating action on Banco Consorcio's VR could stem from lower liquidity levels or a higher risk appetite that results in significantly weaker asset quality.
- A deterioration in bank's profitability, with an operating profit to RWA ratio falling and remaining below 1%.
- Weaker capitalization, with its CET1 ratio falling and remaining consistently below 10%.
- In addition, the downward potential of Banco Consorcio's IDRs and National Rating (NR) is limited given that these are at the same level that could be achieved based on parent support.
- Downward potential Banco Consorcio's IDRs and LT National Ratings would only be possible with a weakening of shareholder support combined with a downgrade of Banco Consorcio's VR.

Factors that could, individually or collectively, lead to positive rating action/upgrade

- A potential VR upgrade for Banco Consorcio is limited given its relatively moderate domestic franchise.
- An upgrade of Consorcio's IDRs and LT National Ratings would only be possible with stronger shareholder support.

Other Debt and Issuer Ratings

Rating Type	Rating	Rating Outlook
Senior Unsecured	AA–(cl)	Stable
Subordinated	A(cl)	Stable

Source: Fitch Ratings

Senior Unsecured and Subordinated Debt: Fitch rates Banco Consorcio's senior unsecured bonds at the same level as the National Long-Term Ratings of 'AA–(cl)', as the likelihood of default of the senior debt is the same as that of the issuer.

Fitch rates Banco Consorcio's national scale subordinated debt at 'A(cl)', two notches below its National Long-Term IDR. The two-notch difference considers the loss severity due to its subordinated nature (after default) and no additional notching for non-performance risk given the subordinated debt's going-concern feature, which is triggered after the point of nonviability.

Senior unsecured debt and subordinated debt national scale ratings would generally move together with the bank's National Long-Term Rating. The subordinated debt would remain two notches below the bank's National Long-Term Rating.

Factors that could, individually or collectively, lead to negative rating action/downgrade

Senior Unsecured and Subordinated Debt

- Senior and subordinated debt ratings would generally move in line with the bank's long-term ratings. The subordinated debt rating would remain two notches below the bank's National LT Rating.

Shareholder Support Rating

- A downgrade in the bank's SSR could be driven from a similar rating action on their ultimate parent's ratings.

Factors that could, individually or collectively, lead to positive rating action/upgrade

Senior Unsecured and Subordinated Debt

- Senior and subordinated debt ratings would generally move in line with the bank's long-term ratings. The subordinated debt rating would remain two notches below the bank's National LT Rating.

Shareholder Support Rating

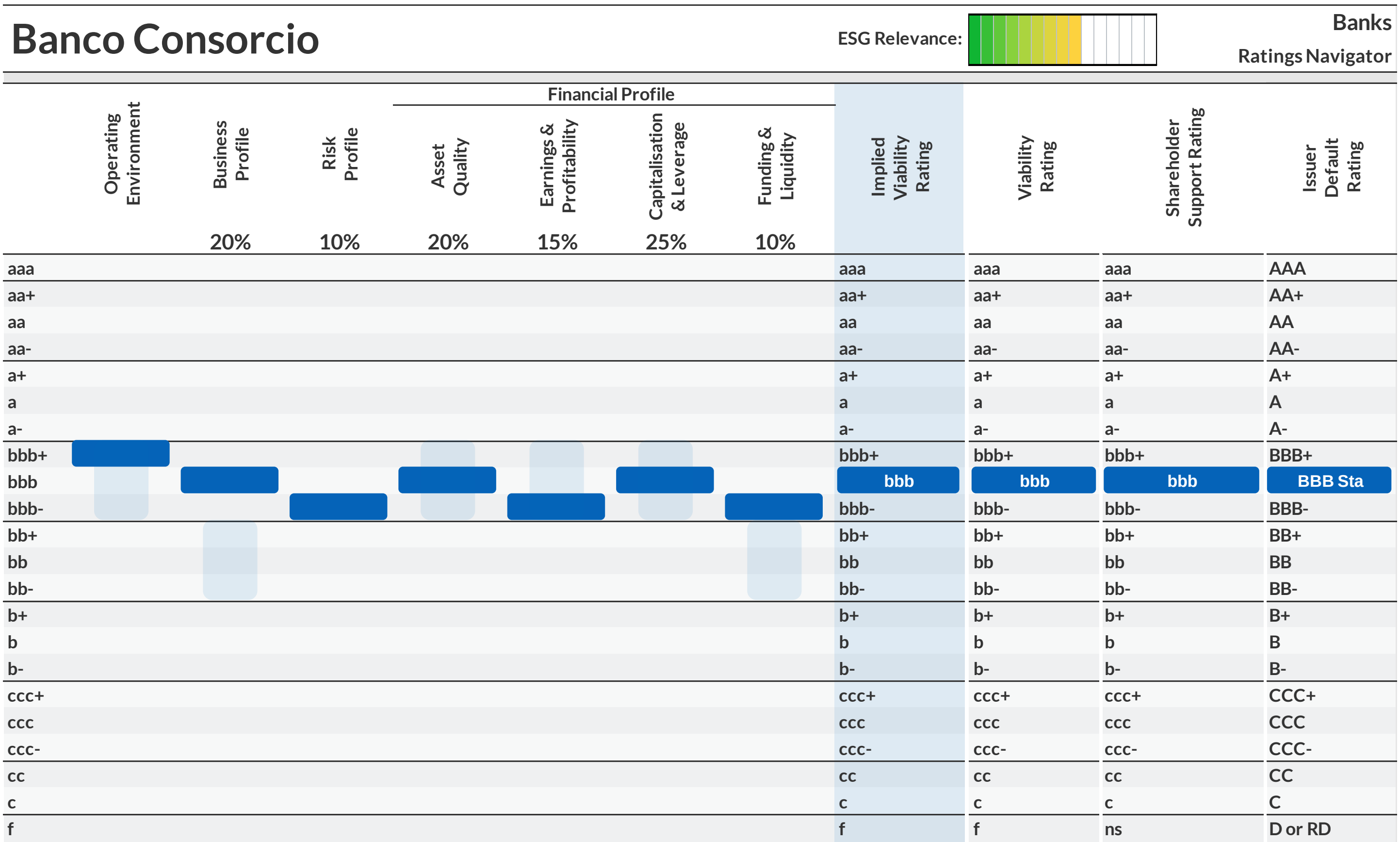
- An upgrade in the bank's SSR could be driven from an improvement in our view of shareholder support from the ultimate parent.

Significant Changes from Prior Review

- **Chilean Banks — 2023 Neutral Sector Outlook:** The sector outlook for Chilean banks is neutral. This reflects Fitch's view that Chilean banks' core financial metrics will remain relatively stable or, in the case of profitability, above pre-pandemic levels despite a sharp deceleration in economic growth, which will limit loan growth prospects. Fitch expects deceleration in GDP growth to continue in 2023, declining to a forecast level of negative 0.8% (–0.8%) from 2.4% in 2022. While this could impact loan growth prospects, operating revenues will be supported by a higher net interest margin (NIM) as inflation and interest rates will remain high relative to the prior decade, though gradually declining. Chile’s policy rate stood at 11.25% as of May 2023, reflecting tighter monetary policy.

- **Framework to Assess Banks’ Liquidity Adequacy:** The Chilean banking regulator, CMF, has issued regulation on the assessment of banks' liquidity position adequacy. The new adopted liquidity framework requires banks to develop an internal liquidity adequacy assessment process (ILAAP) covering a horizon of at least one year and involving stress testing and contingency planning. As a result of the CMF's annual supervisory process and, if it determines a bank has material deficiencies in its ILAAP, the circular gives power to the supervisor to set additional high-quality liquid asset (HQLA) requirements (up to 20% of reported HQLA stock of the past 12 months) or order a reduction in the bank's activities and improvement in internal controls. The regulation applies from April 2023, with ILAAP requirements progressively entering into force up to April 2025.
- **Guidelines for a New Bank Resolution Framework:** A white paper called for the introduction of a resolution framework per Financial Stability Board (FSB) guidance in dealing with failures of systemic banks in Chile. The CMF recommends creating a resolution authority, a prudential requirement for banks to develop recovery and resolution plans, regular resolvability assessments and introducing a loss absorbing capacity requirement, at minimum applicable to domestic systemically important banks (D-SIBs), of at least 1% of total assets. The paper also advocates introducing a deposit insurance system financed by premiums from banks with a target size of 3.5% of total system deposits. The CMF expects the document to serve as a basis for common discussion with the Ministry of Finance and the central bank.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upward or downward to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR — Adjustments to Key Rating Drivers

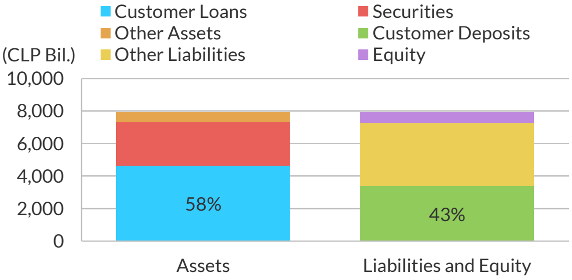
- The Business Profile score of 'bbb' has been assigned above the 'bb' category implied score due to the following adjustment reasons: group benefits and risks (positive).
- The Funding and Liquidity score of 'bbb–' has been assigned above the 'bb' category implied score due to the following adjustment reason: LCR (positive).

Company Summary and Key Qualitative Factors

Operating Environment

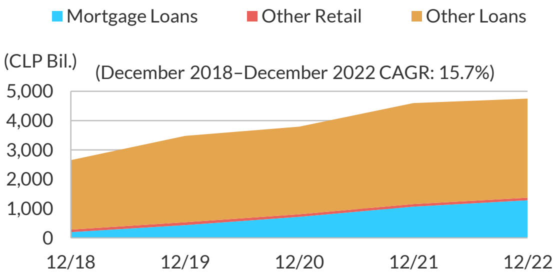
Operating Environment Scored at 'bbb+' for Highly Regulated Financial Institutions: Chilean banks are influenced by a more benign operating environment (OE) compared with regional peers. Fitch's OE assessment is based on two key metrics: The Fitch Operational Risk Index (ORI) and GDP per capita. The agency believes these metrics have the greatest explanatory power in determining the financial institution's ability to generate business volumes with acceptable risk levels. As of YE22, Chile's GDP per capita was USD15,500 and its ORI percentile rank was 70.5. Fitch did not adjust the 'bbb' implied score to reach the midpoint score of 'bbb+'. The OE assessment also addresses the country's sovereign rating of 'A–'/Stable (the highest such rating in Latin America) and the strong legal and regulatory framework for banks, including the adoption of Basel III standards in place since 2019.

Balance Sheet
Ended December 2022



CLP – Chiean peso
Source: Fitch Ratings, Banco Consorcio

Loan Book Breakdown



CAGR – Compound annual growth rate
Source: Fitch Ratings, Banco Consorcio

Business Profile

Business Profile

Fitch's assessment of the implied Banco Consorcio business profile is 'bb', based on the bank's four-year average total operating income (USD243 million), in line with the current OE in the 'bbb' category range. Fitch considered group benefits and risks as a positive deviation factor, according to the relevant criteria section, to arrive at a 'bbb' score for the bank.

Franchise

Banco Consorcio is a medium-sized universal bank 100% owned by Consorcio Financiero, one of the most important financial conglomerates in Chile. Consorcio Financiero is the largest insurance group in the country by total assets, with a 16.2% market share in the insurance business as of December 2022. The strength of the Consorcio brand, with a client base of over 1 million in the insurance sector, gives the bank the ability to target those clients with minor marketing efforts.

The bank is an important figure within the group; as of December 2022, Banco Consorcio was the ninth largest Chilean bank by total loans with a 2.1% market share within the domestic system. Its target is unchanged: to continue to grow and achieve a 3.0% market share in all segments in the medium term; this will be more challenging within consumer banking, where it has a more limited presence (0.3% market share).

Business Model

The bank's business lines are well diversified into corporate banking, retail banking, financial services and a brokerage subsidiary, representing 32.1%, 19.5%, 36.3% and 12.1% of the bank's net operating income as of December 2022, respectively. Corporate lending represented 71.1% of the gross loans portfolio, followed by mortgage loans (27.0%) and consumer loans (1.8%), as of December 2022.

Organizational Structure

The organizational structure is simple, comprises a standard model for a financial institution and does not affect the ratings. Banco Consorcio is 100% owned by Consorcio Financiero, which in turn is 88% owned by three families, 4.1% owned by the IFC (World Bank group) and 7.9% owned by current and former group executives. The insurance/financial business is the most important investment of the three families, although they also have interests in other large companies in Chile such as Coca Cola Andina, Entel, Pucobre and others.

Management Quality

Banco Consorcio's management has broad and ample market experience. Most of the bank's senior management has worked with the bank since its creation in 2009, having previously worked with large international and domestic banks or local regulators. Management has demonstrated its ability to achieve most of the bank's strategic objectives. This is reflected in its increased franchise, achieved in a relatively short period.

Corporate Governance

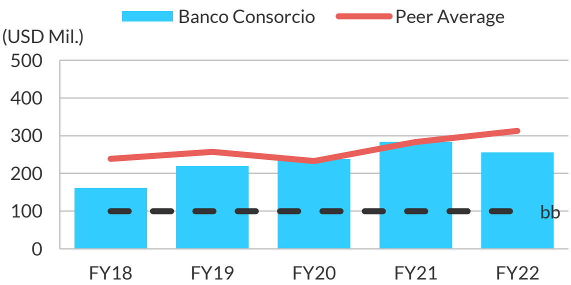
In Fitch's opinion, Banco Consorcio's corporate governance practices are adequate despite its ownership structure and the fact that the bank is not a listed company. All practices are aligned with best practices adopted in Chile. The board of directors has nine members, three of whom are independent, which is more than required by local regulations. The bank's chairman is the CEO of Consorcio Financiero.

Strategy

Banco Consorcio's strategy seeks to be a universal bank focused on clients and integrated with Consorcio Financiero. Among the strategic plan's objectives are maintaining capitalization higher than the banking system, making commercial management profitable and diversifying local and international funding. Management continues to focus on operational efficiency and sustaining a return on equity (ROE) above the industry average.

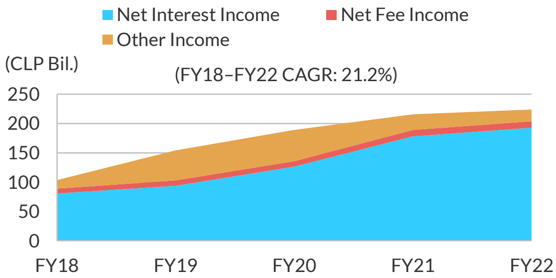
For 2023, the bank expects to increase the loan portfolio approximately 8% with a focus on good credit quality loans, in addition to maintaining a Basel indicator of around 18% with a ROE close to 13.6%.

Total Operating Income



Source: Fitch Ratings, Fitch Solutions

Revenue Breakdown



CAGR – Compound annual growth rate
Source: Fitch Ratings, Banco Consorcio

Risk Profile

Underwriting Standards

The bank's risk appetite is considered moderate, based on good underwriting standards and risk controls. In past years the bank had relatively aggressive credit growth, aligning with its business strategy; however, during the past year, Consorcio moderated its growth with a special focus on decelerating growth in the real estate sector. Risk policies are reasonable and in line with industry standards. The bank has good knowledge of its main credit segment, the corporate business.

The approval process is centralized, with board members forming part of the various committees tasked with approving credit operations. Corporate loan approvals are handled via hierarchy according to the involved amount, and the bank's board of directors approves all credit over USD1 million.

Risk Controls

The bank has a relatively higher risk appetite in the credit area compared to local peers because of its concentrations on both sides of the balance sheet. Concentration in the real estate sector is high, accounting for 32% of the total loan portfolio as of December 2022, although this is partly mitigated by the bank's ample expertise in this sector and its prudent approach. Banco Consorcio has a high level of collateral in the corporate segment, representing 74% of total loans as of December 2022, mostly covered by mortgages and, to a lesser extent, stock pledges.

For real estate and construction sectors, the bank only finances the construction cost of each project. In special cases the land is financed but the loan has to be paid once construction is finalized. Most projects financed are residential developments, a minimum of presales is required and a maximum loan-to-value ratio (LTV) of 90% is allowed (70% average LTV as of December 2022).

The retail segment has internally developed scoring systems that align with industry standards.

Required reserves depend on risk categories and minimum levels vary depending on the loan type. Commercial portfolio provisions are determined according to 16 regulatory categories and the reserve framework for the retail segment relies upon an expected loss approach.

Growth

As of December 2022, the gross loans portfolio grew only 3.3%, contrasting sharply with 21.4% growth in 2021 but in line with the year's business plan. The disparity is likely attributable to the economic slowdown, especially in the real estate and construction sector, coupled with the focus on improving capitalization. By segment, corporate loans decreased 2.2%. Conversely, mortgage and consumer loans increased by 20.9% and 7.2%, respectively.

For 2023, the bank plans to increase its loan portfolio by 8% with special focus in good quality operations. By segment, the bank expects to increase commercial loans by 6% and the retail portfolio by 18%, with high growth in mortgage loans.

Market Risk

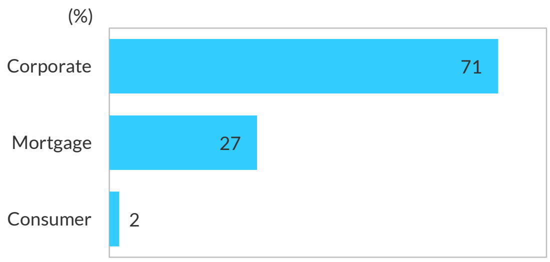
Market risks are relatively limited for Banco Consorcio due to the short terms of its assets (most of its long-term assets are liquid at a fixed rate), as well as strict limits on interest rate and currency mismatches imposed internally and by regulation. Stock transactions are limited and low risk. The bank does not assume significant foreign exchange risks; even though management has authorization to take longer positions, only intraday positions have been taken during the past three years.

The assets and liabilities committee manages the bank's financial business and develops policies for monitoring interest rate, exchange rate and liquidity risks. Interest rate risk is moderate, with a short-term limit of 35% of its NIM, a position that remained slightly below 12% as of YE22, and a long-term limit of 20% of regulatory capital (the bank's position remained below 10% as of YE22). In addition to complying with regulatory market risk limits, the bank uses a value-at-risk (VaR) methodology, with historical simulation and 99% confidence, for its investment portfolio with very conservative limits, consisting of the minimum between 1.4% of basic capital or CLP9.4 billion for the global VaR limit. Like most Chilean financial institutions, Banco Consorcio maintains a net long position in UF (Unidad de Fomento), which is managed actively in line with inflationary expectations and therefore does not pose a significant risk for the bank. The mismatch limit in UF is 1.9x equity.

Chilean banks calculated and reported sensitivities for banking book economic value exposure (EVE) under Basel III. The foregoing consists of sensitizing at the same time an increase of +100 basis points in the market rates for all currencies. Additionally, the higher or lower accruals generated in the next 12 months are calculated in the event of interest rates changing +100 base points via interest rate exposure (IRE). Balance sheet items subject to interest rate risk are represented at contractual maturity when the interest rate is fixed; if the rate is variable, it is assigned to the next repricing date. Some assets and liabilities are represented according to a behavioral model, such as disbursements for checking accounts and credit prepayments.

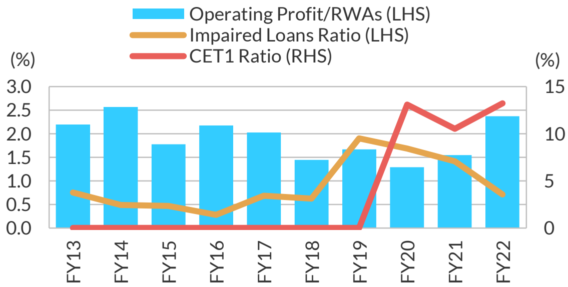
Loan Split by Segment

Ended as of December 2021



Source: Fitch Ratings, Banco Consorcio

Performance Through the Cycle



Source: Fitch Ratings, Banco Consorcio

Financial Profile

Asset Quality

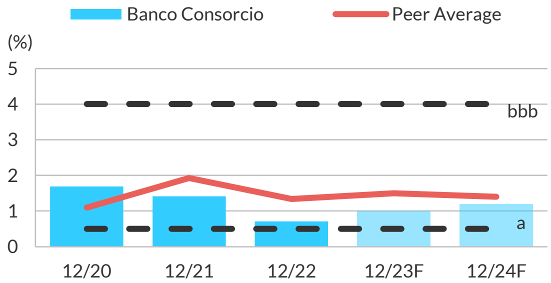
As of February 2023, the NPL ratio was sustained at a low 0.91% (YE22: 0.71%), below its four-year average of 1.43%. The NPL ratio has been improving since 2019, following deterioration in a few specific cases. Fitch expects this metric to remain within its current ranges and any potential impairment should be manageable.

As of December 2022, loan loss reserve coverage (including additional reserves) increased to 366% from 210.6% as of YE21. Fitch views these levels as adequate, also considering the high level of loan portfolio collateralization. Likewise, the portfolio's debtor concentration is high, in Fitch's opinion, with the 20 largest debtors representing 18.9% of gross loans and 0.9x the bank's equity as of January 2023.

The commercial loan portfolio shows relatively high real estate sector concentration, with other economic sectors well diversified. As of December 2022, 28.9% of this portfolio corresponded to the real estate services sector, followed by 20.1% in business services, 13.5% in financial services (mainly banks and holdings), 7.4% in construction, 7.2% in agriculture and forestry, 5.2% in trade, 4.9% in energy, 3.4% in manufacturing, 1.7% in transportation and storage and 7.7% in other sectors.

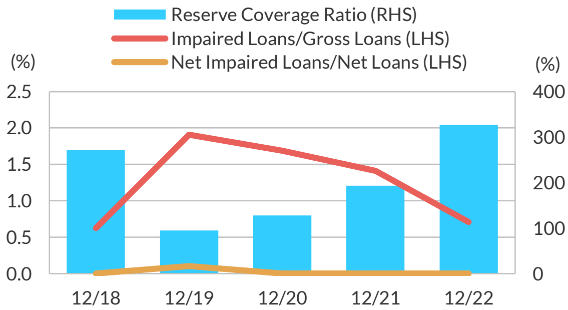
Non-loan exposures are high on the balance sheet. As of December 2022, the investment portfolio represented 33.7% of total assets. Approximately 50% of the investment portfolio comprises Chilean sovereign securities (Central Bank and Treasury notes). The bank has reduced its appetite for local corporate securities, which were rated mainly at 'BBB(cl)' or higher and, more recently, in Latin American banks. This portfolio is strategically important for Banco Consorcio as it provides a liquidity cushion.

Impaired Loans/Gross Loans



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Asset Quality Summary



Source: Fitch Ratings, Banco Consorcio

Earnings and Profitability

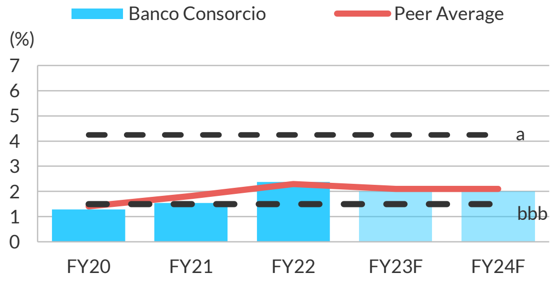
Banco Consorcio's profitability, measured as operating profit to RWA, is adequate and commensurate with its rating level (four-year average: 1.72%). The bank's profitability has been based on strong loan portfolio growth, good cost efficiency, adequate loan quality and good revenue diversification. As of December 2022, operating profit to RWA reached 2.4%, aligned with the bank's ratings and above the Chilean medium-sized bank peer average. Fitch expects profitability to remain at historical levels in 2023.

Net interest income is the main contributor to gross income and represented 86.1% of total net operating income as of December 2022 (December 2021: 82.7%). NIM, measured as net interest income on average assets, has trended positively over the past four years as the bank consolidates its business strategy. Profitability metrics indicate the robustness of Banco Consorcio's business model and can further benefit from greater income diversification in the long term, with loans continuing to grow as a proportion of total assets while the bank benefits from synergies with Consorcio Financiero and generates higher cross-selling opportunities.

Nonfinancial income mainly comprises treasury results and commission income. The former mainly stems from securities sales and accrual of the fixed income portfolio. The remaining nonfinancial income corresponds to client distributions and intermediation. The bank's strategy is to expand cross-selling of products, which should gradually result in higher fee income.

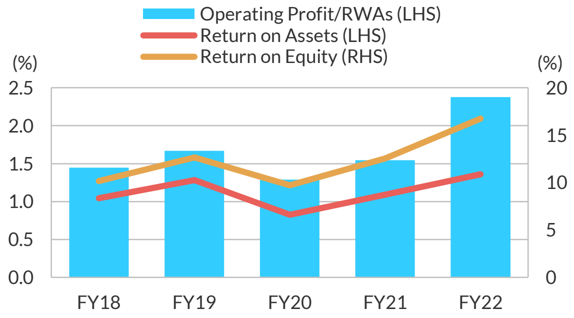
Banco Consorcio's cost efficiency is good and among the pillars of its consistent profitability. As of December 2022, its cost-to-income ratio was a low 30.1%. This is because it is part of one of the largest financial groups in Chile, which allows important operational and marketing synergies and the possibility of reaching a broad customer base. This in turn contributes to long-term growth and diversification by creating a complete offering of financial products.

Operating Profit/Risk-Weighted Assets



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Profitability Summary



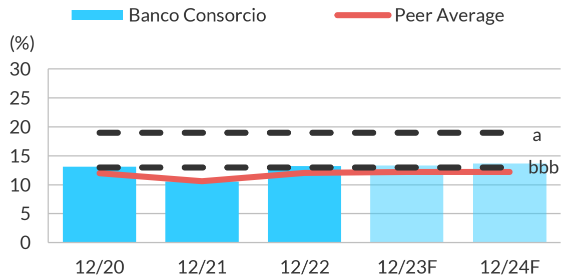
Source: Fitch Ratings, Banco Consorcio

Capital and Leverage

Banco Consorcio's capitalization is strong and compares favorably with domestic peers. The CET1 ratio increased to 13.2% in December 2022, from 10.5% in 2021, underpinned by lower loan portfolio growth during the year (3.3%). The CET1 ratio is expected to decrease slightly over the next three years due to the expected business plan, reaching around 12.5%. According to management, the bank does not require additional capital contributions to comply with Basel III standards.

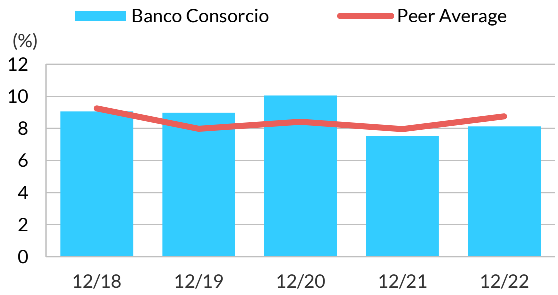
Fitch estimates the bank's capitalization will remain at satisfactory levels for its rating category given the bank's growth objectives, good internal capital generation and continuous capital contributions from the controller.

CET1 Ratio



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Tangible Equity/Tangible Assets



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

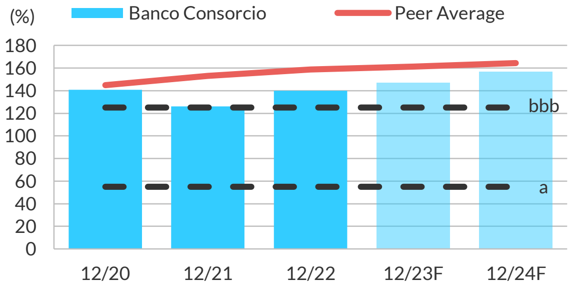
Funding structure diversification continues to be one of Banco Consorcio's main challenges due to its reliance on wholesale funding and a still small proportion of demand deposits. The bank's objective is to achieve a liability structure similar to the Chilean banking system. As of December 2022, its main funding sources were as follows: 42.2% time deposits, 29.8% bonds, 12.3% Central Bank securities, 4.3% sight deposits, 3.5% repo transactions and 7.9% comprising other funding sources (foreign financial institutions, subordinated bonds, etc.)

Banco Consorcio is mainly funded by time deposits. As of December 2022, Banco Consorcio's loan-to-deposit ratio was 139.9%. Deposits still have a high concentration, with the 10 largest depositors (excluding stockbrokers, whose deposits are traded on the stock market in a very fragmented manner) accounting for 42.2% of total deposits. The largest depositor accounted for approximately 6.6% of total deposits and no other depositor exceeded 7% of the total. The bank seeks to reduce the proportion of deposits originating from mutual fund managers and increase deposits from pension funds and insurance companies. This concentration risk is mitigated by the bank's ample liquidity.

Within its funding strategy, Banco Consorcio is expected to diversify its funding sources by issuing long-term debt in line with market appetite in terms of durations, amounts, currency, etc. In addition, the bank is working to increase funding from foreign financial institutions, which will allow it to refinance 2023 debt maturities and finance anticipated loan growth.

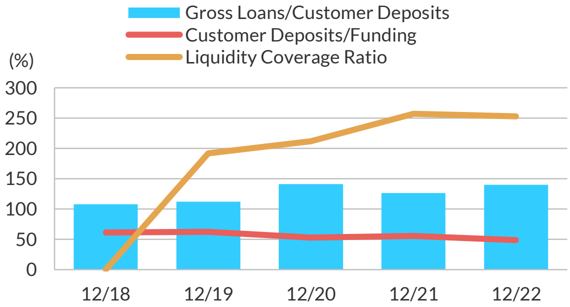
The bank closely monitors its liquidity levels and compliance with internal and regulatory limits. Likewise, it works with a variety of stress tests in which it assumes very conservative parameters. The increase in liquidity has sustained improvement in the LCR, resulting in 253% consolidated liquidity as of December 2022, well above the 80% regulatory minimum. Fitch views the bank's liquidity levels as moderate given its high deposit concentration.

Gross Loans/Customer Deposits



F – Forecast
Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity Summary



Source: Fitch Ratings, Banco Consorcio

Additional Notes on Charts

The forecasts within the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macroeconomic forecasts, sector outlooks and company-specific considerations. As a result, Fitch's forecasts may materially differ from guidance provided by the rated entity to the market.

To the extent Fitch is aware of material nonpublic information with respect to future events, such as planned recapitalizations or M&A activity, Fitch will not reflect these nonpublic future events in its published forecasts. However, where relevant, Fitch considers such information as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments Fitch scores in the 'bbb' category. Light blue columns represent Fitch's forecasts.

The peer average includes Banco BICE (VR: bbb+), Banco Security (bbb) and Banco BTG Pactual Chile (bbb–).

Financials

Financial Statements

Summary Financials and Key Ratios

	2023[a]		2022	2021	2020	2019
	(USD Mil.)	(CLP Bil.)	(CLP Bil.)	(CLP Bil.)	(CLP Bil.)	(CLP Bil.)
(Years Ended as of Dec. 31)	Not Disclosed	Not Disclosed	Not Disclosed	Not Disclosed	Not Disclosed	Audited — Unqualified
Summary Income Statement						
Net Interest and Dividend Income	**29.7**	**24.7**	**192.5**	**178.2**	**126.4**	**93.8**
Net Fees and Commissions	1.8	1.5	10.9	10.5	9.1	8.9
Other Operating Income	1.8	1.5	20.2	26.6	53.5	51.3
Total Operating Income	**33.4**	**27.8**	**223.6**	**215.4**	**189.0**	**154.1**
Operating Costs	15.9	13.2	67.2	59.0	46.9	33.7
Pre-Impairment Operating Profit	17.5	14.6	156.4	156.4	142.2	120.4
Loan and Other Impairment Charges	–2.0	–1.7	40.9	74.2	83.4	44.2
Operating Profit	19.6	16.3	115.5	82.2	58.8	76.2
Tax	3.1	2.6	10.1	10.9	8.2	13.0
Net Income	**16.5**	**13.7**	**105.4**	**71.3**	**50.6**	**63.2**
Other Comprehensive Income	0.1	0.1	62.1	–100.6	21.0	–2.0
Fitch Comprehensive Income	16.5	13.7	167.5	–29.3	71.5	61.2
Summary Balance Sheet						
Assets						
Gross Loans	**5,664.1**	**4,708.3**	**4,741.7**	**4,591.3**	**3,783.1**	**3,473.4**
– of which Impaired	51.4	42.7	33.70	64.9	63.9	66.2
Loan Loss Allowances	128.0	106.4	110.0	125.4	81.7	62.7
Net Loans	**5,536.2**	**4,601.9**	**4,631.6**	**4,466.0**	**3,701.4**	**3,410.7**
Interbank	166.7	138.6	56.4	41.1	29.9	40.1
Derivatives	142.3	118.3	117.4	108.2	109.4	91.4
Other Securities and Earning Assets	3,161.6	2,628.0	2,689.7	1,700.4	1,657.0	1.815.4
Total Earning Assets	**9,006.8**	**7,486.8**	**7,495.2**	**6,315.7**	**5,497.7**	**5.357.6**
Cash and Due from Banks	238.0	197.8	191.9	817.7	302.2	208.7
Other Assets	306.8	255.0	252.1	271.0	116.6	190.5
Total Assets	**9,551.5**	**7,939.6**	**7,939.1**	**7,404.3**	**5,916.5**	**5,756.9**
Liabilities						
Customer Deposits	**4,031.6**	**3,351.3**	**3,388.6**	**3,638.7**	**2,686.8**	**3,095.9**
Interbank and Other Short-Term Funding	1,851.0	1,538.6	1,450.0	1,298.4	1,046.3	787.8
Other Long-Term Funding	2,531.5	2,104.3	2,172.7	1,660.6	1,388.0	1,109.1
Trading Liabilities and Derivatives	135.5	112.7	115.2	112.1	80.2	80.6
Total Funding and Derivatives	**8,549.7**	**7,106.9**	**7,126.4**	**6,709.9**	**5,201.4**	**5,073.4**
Other Liabilities	210.4	174.9	164.6	134.8	117.7	164.8
Total Equity	791.4	657.8	648.2	559.7	597.4	518.6
Total Liabilities and Equity	**9,551.5**	**7,939.6**	**7,939.1**	**7,404.3**	**5,916.5**	**5,756.9**
Exchange Rate	—	USD1 = CLP831.24	USD1 = CLP867.01	USD1 = CLP866.25	USD1 = CLP728.96	USD1 = CLP744.62

[a]First two months of 2023 only, ended Feb. 28. CLP – Chilean peso. N.A. – Not applicable.
Source: Fitch Ratings

Key Ratios

Summary Financials and Key Ratios

(%, Years Ended as of Dec. 31)	2023[a]	2022	2021	2020
Ratios (Annualized as Appropriate)				
Profitability				
Operating Profit/Risk-Weighted Assets	N.A.	2.38	1.55	1.29
Net Interest Income/Average Earning Assets	2.06	2.77	3.00	2.27
Noninterest Expense/Gross Revenue	47.53	30.05	27.38	24.80
Net Income/Average Equity	12.96	16.74	12.54	9.71
Asset Quality				
Impaired Loans Ratio	0.91	0.71	1.41	1.69
Growth in Gross Loans	−0.70	3.27	21.36	8.92
Loan Loss Allowances/Impaired Loans	249.23	326.71	193.26	127.97
Loan Impairment Charges/Average Gross Loans	−0.22	0.88	1.78	0.90
Capitalization				
Common Equity Tier 1 Ratio	N.A.	13.23	10.52	13.09
Fitch Core Capital Ratio	N.A.	13.27	10.48	13.04
Tangible Common Equity/Tangible Assets	8.25	8.13	7.53	10.06
Basel Leverage Ratio	N.A.	8.08	7.50	10.00
Net Impaired Loans/Common Equity Tier 1	N.A.	−11.87	−10.62	−2.99
Net Impaired Loans/Fitch Core Capital	N.A.	−11.84	−10.86	−3.01
Funding and Liquidity				
Gross Loans/Customer Deposits	140.49	139.93	126.18	140.80
Liquidity Coverage Ratio	N.A.	253.00	257.00	212.00
Customer Deposits/Total Non-Equity Funding	47.91	48.33	55.15	52.47
Net Stable Funding Ratio	N.A.	89.00	N.A.	N.A.

[a]First two months of 2023 only, ended Feb. 28. N.A. – Not applicable
Source: Fitch Ratings

Support Assessment

Shareholder Support KDs	
Parent IDR	BBB
Total adjustments (notches)	
Shareholder Support	bbb

Shareholder Ability to Support	
Shareholder	BBB / Stable
Shareholder Regulation	1 Notch
Relative Size	2+ Notches
Country Risks	Equalised

Shareholder Propensity to Support	
Role in Group	Equalised
Reputational Risk	Equalised
Integration	1 Notch
Support Record	Equalised
Subsidiary Performance and Prospects	Equalised
Legal Commitments	Equalised

The colors indicate the weighting of each KRD in the assessment.
Higher Influence Moderate Influence Lower Influence

Banco Consorcio's SSR of 'bbb' reflects potential support from its parent company, Consorcio Financiero S.A., if needed. Fitch believes the parent's propensity to provide support to Banco Consorcio is high given the bank's important role in the group in providing core products and complementary financial services, as well as potential implications for the parent should the bank default given crossdefault clauses in Consorcio Financiero's debt instruments.

Environmental, Social and Governance Considerations

FitchRatings **Banco Consorcio**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Credit-Relevant ESG Derivation				Overall ESG Scale
Banco Consorcio has 5 ESG potential rating drivers Banco Consorcio has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating. Governance is minimally relevant to the rating and is not currently a driver.	key driver	0	issues	5
	driver	0	issues	4
	potential driver	5	issues	3
	not a rating driver	4	issues	2
		5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg.

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.